



## AREA AGENCIES ON AGING ASSOCIATION OF MICHIGAN 6105 W. ST. JOSEPH, SUITE 204, LANSING, MICHIGAN 48917

### COMPARISON OF BLUE CROSS MEDIGAP LEGACY AND A BLUE CROSS MEDICARE ADVANTAGE PLAN

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In testimony before the Senate Insurance Committee on Senate Bills 1293 and 1294, I stated, “Seniors love Blue Cross Medigap Legacy policies and Medicare Advantage plans cannot compare! We need the PA 350 language on Blue Cross Medigap Legacy plans to continue and not be repealed. Repeal would allow the policies to be terminated.”

My testimony was challenged by other witnesses who testified that there are many other options just as good if not better for seniors on Medicare, including Blue Cross Medicare Advantage Plans.

To illustrate my statement that Legacy policies are better and must be preserved for the sake of vulnerable low-income seniors, I’ve put together the following scenario that compares a senior’s costs under Legacy with her costs under Blue Cross Medicare Advantage. I think a case COULD be made that if a senior is healthy, they might save money with Medicare Advantage assuming they don’t get sick. But this is not the case if a senior needs health services.

**Scenario: 78-year-old widow needs surgery when she slips on ice and breaks her hip. She is in the hospital for five days, and subsequently in a skilled nursing facility for 6 weeks for rehabilitation.**

With a Blue Cross Legacy Medigap Policy Plan C, her out-of-pocket costs for the surgery, hospitalization and skilled nursing rehab visit would be \$0.

**With a Blue Cross Medicare Plus Blue PPO Vitality, a Medicare Advantage Plan, her out-of-pocket costs would be \$4,600 if she uses 100% in-network providers, and as much as \$7,100 if she uses out-of-network providers.** The calculation below illustrates how these expenses accumulate, based on the table on page 3 detailing out-of-pocket costs. This information comes from the Medicare website that documents out-of-pocket costs for the Blue Cross Medicare Advantage plan (see attached web page) and from a Blue Cross brochure on Legacy policies.

#### Costs under Blue Cross Medigap Legacy Plan C

Annual deductible	\$0
Ambulance	\$0
Emergency care	\$0
Inpatient hospital care	\$0
Skilled nursing facility	\$0
Total	\$0

**Costs under Medicare Plus Blue PPO Vitality**

Assuming that all the care she receives is from in-network providers, these are her expenses:

Annual deductible	\$500
Ambulance	\$50
Emergency care	\$65
Inpatient hospital care	\$1125 (5 days x \$225 copay)
Skilled nursing facility	\$2860 (days 21-42 x \$130 copay)
Total	\$4600

Blue Cross Blue Shield and Blue Care Network offer 41 different Medicare Advantage plans.

Under this scenario, they all charge out-of-pocket costs in the thousands. See attached pages that summarize the 41 plans, taken from the Medicare & You handbook, sent to all Medicare beneficiaries by the federal government. Note the column that lists out-of-pocket limits. It should be noted that all Medicare Advantage Plans offered by other companies have a similar structure, with sizable deductibles, copayments and out-of-pocket limits.

I also testified that Medigap policies offered by other companies cannot compare with Blue Cross Medigap Legacy policies. This is because other companies' policies are not subsidized, not as affordable, and are subject to underwriting (denying coverage to bad risks) and pre-existing condition exclusions.

**In conclusion, Blue Cross Medigap Legacy policies are the most accessible and most affordable policies available in Michigan today. It is essential that these policies be preserved for low-income seniors and people with disabilities with health problems. These policies are an essential safety net – without them, more Medicare beneficiaries will be forced to drop supplemental insurance and go on ‘bare Medicare,’ which covers less than half of total health care expenses.**

**Bottom Line: Amendments to Senate Bills 1293 and 1294 that will preserve Public Act 350 protections for Blue Cross Medigap Legacy policies. The Affordable Care Act does not impact or change the regulation of Medigap policies, which are regulated via prior federal statutes. There is no reason to wait for the implementation of ACA in the hopes that it will improve the Medigap marketplace, because it won’t.**

## COMPARISON CHART – MEDIGAP LEGACY VS. MEDICARE ADVANTAGE

Out-of-pocket Expenses	Blue Cross Medigap Legacy Plan C	Medicare Plus Blue PPO Vitality (BCBSM Medicare Advantage)
Premium	\$122.86/month or \$1474/year	\$40.50/month or \$486/year
Annual deductible	\$0	\$500
Out-of-pocket spending limit	Not applicable	\$5,400 in-network \$7,100 out-of-network
Extra benefits?	No	No
Primary Doctor visit	\$0	\$25 max in-network 40% max per visit for out-of-network
Specialist visit	\$0	\$50 max in-network 40% max per visit for out-of-network
Outpatient services	\$0	\$175 max in-network 40% max per visit for out-of-network
Emergency Care	\$0	\$65 maximum
Ambulance	\$0	\$50 maximum in-network 40% max out-of-network
Kidney disease treatments	\$0	\$30 max per visit in-network 40% max per visit out-of-network
Home health care	\$0	\$0 in-network 40% max per visit out-of-network
Durable medical equipment	\$0	20% max per item in-network 40% max per item out-of-network
Inpatient hospital care	\$0	In-network, days 1-5 = \$225/day Out-of-network, 40%
Skilled nursing facility	\$0	In-network, days 21-100 = \$130/day Out-of-network, 40%

